



WILLIAM T FUJIOKA
Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION
LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://ceo.lacounty.gov>

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

April 8, 2008

The Honorable Board of Supervisors
County of Los Angeles
Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**AMENDMENT NO. 4 TO LEASE NO. 65930
FIRE DEPARTMENT
5823-5847 RICKENBACKER ROAD, COMMERCE
(FIRST DISTRICT) (3 VOTES)**

SUBJECT

Amend an existing lease for the Fire Department (Fire) to extend the term by an additional seven years at an annual first year rent not to exceed \$948,930.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Find that this Amendment No. 4 is exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Class 1, of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15061 (b) (3) of the State CEQA Guidelines.
2. Approve and instruct the Chair to sign Amendment No. 4 to renew the subject lease for a seven-year term with RREEF America Reit II Corp.MMMM3 California, (Lessor) for 45,279 rentable square feet of building space, located at 5823-5847 Rickenbacker Road, Commerce, for Fire at an annual first year rent not to exceed \$948,930. The rent costs will be fully funded by Consolidated Fire District Funds.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

There are currently 230 Fire staff housed at these facilities which have been occupied by Fire since 1982. Approval of this proposed renewal will extend the term of the lease for seven years and allow Fire to provide continued housing for the Central and West Divisions, the Health Hazardous Materials Division and the Fire Prevention Bureau at the three buildings located at 5823 (also known as 5815), 5825 and 5847 Rickenbacker Road, Commerce. Fire plans to remain at this facility pending evaluation of the potential construction of a new headquarters facility.

The current lease expired on April 7, 2008, and the County continued its occupancy pursuant to the holdover provision. In order to avoid any disruption of services to the public and not incur the costs associated with relocating the program and constructing new tenant improvements, Fire requested that the lease be renewed.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The Countywide Strategic Plan directs that we invest in public infrastructure in order to strengthen the County's fiscal capacity. The proposed lease supports this strategy (Goal 4, Strategy 2, Objective 2), by providing housing arrangements for Fire use pending the relocation to the contemplated new headquarters while avoiding the costs associated with a possible double move. This proposed lease complies with the Strategic Asset Management Principles, as shown in Attachment A.

FISCAL IMPACT/FINANCING

This lease amendment extends the term for an additional seven years. The cost for the first year shall not exceed \$948,930 based on the terms and conditions of Lease Amendment No. 4. The base rent is subject to annual adjustment based on the Consumer Price Index (CPI) increases and has a maximum cap of 5 percent annually over the seven-year term, with no minimum.

5823-5847 RICKENBACKER ROAD, COMMERCE	EXISTING LEASE NO. 65930B	SEVEN-YEAR LEASE RENEWAL	CHANGE
Area (square feet)	45,279	45,279	None
Term	Five years 04/08/03 – 04/07/08	Seven years, upon Board approval, but not sooner than 04/08/08	+ seven years
Annual Base Rent	\$716,000	\$923,692	+ \$207,692 (29 percent increase)
Tenant Improvements	None	\$316,953 included in the Base Rent	New allowance
Reimbursable Tenant Improvements	None	Up to \$135,837 subject to reimbursement over 7-years at 8% interest, i.e., up to \$25,238 * annually, if used in full	+\$135,837 allowance
Parking (included in base rent)	180 parking spaces	180 parking spaces	None
Cancellation	Right to cancel or reduce the premises at anytime after the 36 th month upon 180 days' notice	Right to cancel or reduce the space at anytime after the 42 nd month upon 120 days' prior written notice	Longer initial period before cancellation right due to the longer term, but shorter notification period.
Option to Renew	None	None	None
Rental Adjustment	Annual CPI increases on the operating expense portion of the rent with a cap of 5 percent annually	Annual CPI increases with a cap of 5 percent annually of the base year rent	Same cap but applied on base rent and operating expenses

Amortization calculated based on payment at the beginning of the period.

Sufficient funding for the rental costs is included in the 2007-08 Rent Expense budget and will be charged back to Fire.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The proposed seven-year renewal provides 45,279 rentable square feet and 180 parking spaces to the County for use by Fire. The amendment contains the following provisions:

- The renewal commences upon Board approval, but in no event sooner than April 8, 2008, and ends seven years thereafter.
- Parking for the staff and visitors is available on-site.
- The term is on a modified full-service basis, excluding utilities. All other repair and maintenance costs are the responsibility of the Lessor.
- Last year actual utilities cost, based on information from the Internal Services Department (ISD), amounted to \$102,013, or approximately \$0.19 per square foot per month.
- The County has the right to cancel the lease or reduce the premises, and the rental rate proportionately, at anytime after the 42nd month upon 120 days' prior written notice.
- As a consideration for the County's renewal of the lease, Lessor agreed to provide new paint and new carpet tile for the entire premises, up to a maximum cost of \$316,953, or \$7 per rentable square foot. Should the work cost more, County may reduce the scope of the work or amortize up to \$135,837 over the term at an annual cost of \$25,238, or pay in a lump sum payment.

Chief Executive Office (CEO) Real Estate staff surveyed the area within a five mile radius from the current facility. Staff was unable to identify any facility within the surveyed area that could accommodate this requirement more economically.

Based upon a market survey of similar properties in the City of Commerce area, staff has determined that the base rental rate for similar properties, including parking and excluding utilities, is between \$20 and \$27 per square foot per year. Thus, the \$20.40 base annual rent of the proposed lease renewal represents a rate within the lower range of market for the area.

The Honorable Board of Supervisors
April 8, 2008
Page 5

There is no space available to accommodate a child care center. The facilities were reviewed by Department of Public Works and found to be acceptable for County's occupancy.

ENVIRONMENTAL DOCUMENTATIONS

The CEO has made an initial study of environmental factors and has concluded that this project is exempt from CEQA as specified in Class 1, of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15061 (b) (3) of the State CEQA Guidelines.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The proposed lease will provide the space necessary for Fire to continue providing services to the public. The Fire Department concurs with the lease recommendations.

CONCLUSION

It is requested that the Executive Officer, Board of Supervisors return two certified copies of the Minute Order and the adopted, stamped Board letter to the CEO, Real Estate Division, 222 South Hill Street, 4th Floor, Los Angeles, CA 90012.

Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer

WTF:DL:JSE
CEM:MS:hd

Attachments (2)

c: County Counsel
Fire Department

FIRE DEPARTMENT
5823-5847 RICKENBACKER ROAD, COMMERCE
Asset Management Principles Compliance Form¹

1.	Occupancy	Yes	No	N/A
	A Does lease consolidate administrative functions? ²			X
	B Does lease co-locate with other functions to better serve clients? ²			X
	C Does this lease centralize business support functions?			X
	D Does this lease meet the guideline of 200 sq. ft of space per person? ²	X		
2.	Capital			
	A Is it a substantial net County cost (NCC) program? The programs are housed in these facilities pending relocation to a new headquarters currently under consideration. The costs are revenue offset with no NCC.		X	
	B Is this a long term County program?	X		
	C If yes to 2 A or B; is it a capital lease or an operating lease with an option to buy?		X	
	D If no, are there any suitable County-owned facilities available?		X	
	E If yes, why is lease being recommended over occupancy in County-owned space?			X
	F Is Building Description Report attached as Attachment B? This project is a short-term re-lease and pending capital project.		X	
	G Was build-to-suit or capital project considered? A capital project is planned within the next four to seven years. Please see 2A above.	X		
3.	Portfolio Management			
	A Did department utilize CEO Space Request Evaluation (SRE)?	X		
	B Was the space need justified?	X		
	C If a renewal lease, was co-location with other County departments considered?		X	
	D Why was this program not co-located?			
	1. ____ The program clientele requires a "stand alone" facility.			
	2. <u>x</u> No suitable County occupied properties in project area.			
	3. <u>x</u> No County-owned facilities available for the project.			
	4. ____ Could not get City clearance or approval.			
	5. ____ The Program is being co-located.			
	E Is lease a full service lease? County pays its own utilities.		X	
	F Has growth projection been considered in space request?	X		
	G Has the Dept. of Public Works completed seismic review/approval?	X		
	¹ As approved by the Board of Supervisors 11/17/98			
	² If not, why not?			

**AMENDMENT NO. 4 TO LEASE NO. 65930
FIRE DEPARTMENT
5823-5847 RICKENBACKER ROAD, COMMERCE**

This Amendment No. 4 to Lease No. 65930 ("Amendment No. 4") is made and entered into this 8th day of APRIL, 2008, by and between RREEF AMERICA REIT II CORP. MMMM 3 CALIFORNIA, a Maryland corporation ("Lessor") and the COUNTY OF LOS ANGELES, a body politic and corporate ("Lessee").

WHEREAS, NEWCROW and NEWCROW IV, as predecessor-in-interest to Lessor entered into that certain Lease No. 65930 with Lessee on March 31, 1982 and Amendment No. 1 on December 2, 1997, and Amendment No. 2 on April 26, 2001, and Amendment No. 3 on April 8, 2003 (collectively called the "Lease"), whereby original Lessor leased to lessee approximately 39,822 rentable square feet of office space at 5823-5825 Rickenbacker Road and 5900 Eastern Avenue, Commerce, California ("Premises"), for an initial term of five (5) years; and

WHEREAS, pursuant to said Amendment No.1 the Lease was renewed for an additional five (5) year term from December 2, 1997 to December 1, 2002; and

WHEREAS, pursuant to said Amendment No. 2 the Lease was bifurcated into Lease No. 65930A and 65930B, whereby 65930A comprised the portion of the Premises at 5900 Eastern Avenue, and 65930B comprised the portion of the Premises at 5823-5825 Rickenbacker Road; and

WHEREAS, pursuant to said Amendment No. 3 the Lease an additional 7,177 rentable square feet at 5847 Rickenbacker Road were added to the leased Premises, and the Lease term was extended for an additional five (5) years from April 8, 2003 to April 7, 2008; and

WHEREAS, it is agreed between the parties that the leased Premises under Lease No. 65930B comprises 45,279 rentable square feet; and

WHEREAS, Lessor is the successor-in-interest to the original Lessor, and, as such, assumes all of the rights and obligations of the original Lessor arising under the Lease as amended; and

WHEREAS, Lessee desires to extend the term of the Lease for an additional seven (7) years and modify the terms in certain aspects and Lessor is amenable to such extension and modifications.

NOW, THEREFORE, in consideration of the foregoing recitals, which are hereby deemed a contractual part hereof and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and the rents, covenants, and agreements hereinafter contained, Lessor and Lessee hereby covenant and agree to amend the Lease as follows:

65930

Supplement No. 3

1. Paragraph 2 **TERM** is hereby deleted in its entirety, and the following language is inserted in substitution thereof and incorporated into the Lease, as amended hereby:

TERM: The term of this Lease shall be for a period of seven (7) years commencing upon the later of: (a) approval and execution by the County Board of Supervisors, or (b) April 8, 2008, and ending seven (7) years thereafter.

2. Upon the adoption of this Amendment No. 4 by the County Board of Supervisors, Paragraph 3 **RENT** shall be amended by deleting the phrase "\$57,504.33 (\$1.27 per rentable square foot)" wherever it appears and replacing it with "\$76,974.30 (\$1.70 per rentable square foot)". This rent is on a full service basis, net utilities. All language relating to the Operating Expense rent shall be deleted in its entirety, and the following language is added to Paragraph 3:

a). The Rent shall be subject to annual adjustment as follows:

For each successive twelve (12) months of the term of this Lease, the monthly rental as set forth herein shall be subject to adjustment. At the first anniversary date of the first day of the first full calendar month following the Commencement Date of this Lease and every twelve months thereafter, the rent shall be adjusted in accordance with the CPI formula set forth in Section (c) below. The "Base Index" shall be the Index published for the month the Lease commences.

b). **CPI Formula**: The method for computing the annual rental adjustment shall be by reference to the Consumer Price Index for all Urban Consumers for the Los Angeles-Anaheim-Riverside area, all items published by the United States Department of Labor, Bureau of Labor Statistics (1982-84 = 100), herein referred to as "Index". The rental adjustment for the Base Rent shall be calculated by multiplying the Lessor's base rent of \$76,974.30 by a fraction, the numerator being the New Index (which is the Index published for the month immediately preceding the month the adjustment is to be effective), and the denominator being the Base Index.

The formula is illustrated as follows:

$$\begin{array}{l} \text{New Index} \\ \text{[Base Index]} \times \$76,974.30 \text{ (Base Rent)} \\ = \text{New Monthly Rent} \end{array}$$

If the Index is changed so that the base year of the Index differs from that used as of the Commencement Date of the Lease, the Index shall be converted in accordance with the conversion factor published by the United State Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term of this Lease, such other governmental Index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised. In the event the parties are unable to agree upon a substitute index (if the original Index is discontinued without a replacement) then upon demand by

either party, the matter shall be submitted to arbitration in accordance with Paragraph 22N of the Lease for the purpose of determining an alternate method of computing the rent adjustment based upon the increase in the cost of living.

c). General Provisions:

1. In no event shall the monthly rent adjustment based upon the CPI formula set forth in this Section result in an annual increase greater than five percent (5%) per year of the monthly base year rent of \$76,974.30 (i.e., \$3,848.72 per month, annually).

2. In no event shall the monthly rent be adjusted by the CPI formula to result in a lower monthly rent than was payable during the previous year of the Lease.

3. Paragraph 5. **CANCELLATION**. shall be deleted in its entirety, and the following language is inserted in substitution thereof:

CANCELLATION. Lessee shall have the right to cancel this Lease or reduce the size of the Premises and reduce the rental amount in proportion to the reduction in rentable square feet, at any time after the thirty-eighth (38th) month from the effective date of this Amendment No. 4, by giving Lessor not less than one hundred and twenty (120) days prior written notice by Chief Executive Office letter. It is the intention of the parties that the actual termination of all or any portion of the Premises will not take effect prior to the forty-second (42nd) month of the Term. Upon such cancellation of all or any portion of the Premises, Lessee shall refund to Lessor that portion of the leasing commission actually received by Lessee and attributable to the cancelled portion of the Premises. Notwithstanding anything to the contrary, in the event of a partial cancellation, Lessee will be required to relinquish to Lessor portion(s) that is/are leasable in layout and size; e.g. accessible from a fire corridor, with outside windows, etc.

4. Paragraph 15 **NOTICES**. is hereby deleted in its entirety, and the following language is inserted in substitution thereof:

NOTICES. Notices desired or required to be given by this Lease or by any law now or hereinafter in effect shall be given by enclosing the same in a sealed envelope with postage prepaid, certified or registered mail, return receipt requested, with the United States Postal Service. Any such notice and the envelope containing the same shall be addressed to the Lessor as follows:

RREEF America Reit II Corp
MMMM3 California
c/o RREEF Management Company
10044 South Pioneer Boulevard
Santa Fe Springs, California 90670
Attention: John A. Casasante
Vice President - District Manager

or such other place as may hereinafter be designated in writing by the Lessor, except that Lessor shall at all times maintain a mailing address in California.

The notices and envelopes containing the same shall be addressed to Lessee as follows:

Board of Supervisors
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Loa Angeles, California 90012

with a copy to:

Chief Executive Office
Real Estate Division
222 South Hill Street, 3rd Floor
Los Angeles, California 90012

5. Upon the adoption of this Amendment No. 4, Paragraph 32 shall be added to the Lease and shall read as follows;

Lessor, within fifteen (15) days after receipt of a duly executed copy of this Amendment No. 4, shall contract to paint the interior of the Premises and to replace the carpet in the Premises with Mannington carpet tiles or equivalent, and VCT if needed, up to a maximum cost of \$316,953 (i.e., \$7 per rentable square foot). Said work shall be completed no later than six months from the date this Amendment No. 4 is executed by the parties.

Should the cost of said work exceed \$316,953, Lessee may authorize Lessor to pay up to a total of \$452,790 (i.e., up to a total of \$10 per rentable square foot), or Lessee may reduce the scope of the work required. Lessee agrees to reimburse Lessor, in the form of additional rent, for the additional cost over and above the initial \$316,953, i.e., \$135,837, by amortizing the amount over the base of \$316,953 actually expended by Lessor over the Term of the Lease at eight percent (8%) interest payable monthly at the beginning of the period. Lessee may, at

Lessee's sole option, elect to pay all or any portion of said additional cost in a lump sum payment.

Should the cost of said work be less than \$316,953, Lessor agrees to reimburse Lessee in the form of rental abatement.

6. Notwithstanding anything to the contrary, all other terms and conditions contained in Lease No. 65930, 65930B and the related Amendments Nos 1, 2, and 3, shall remain in full force and effect.

7. All undefined terms when used herein shall have the same respective meanings as are given under the Lease as amended unless expressly provided otherwise in this Amendment No. 4.

IN WITNESS WHEREOF, the Lessor has executed this Amendment No. 4 or caused it to be duly executed, and the County of Los Angeles, by order of its Board of Supervisors, has caused this Amendment No. 4 to be executed on its behalf by the Chair of said Board and attested to by the Clerk thereof the day, month and year first written above.

ATTEST:

Sachi A. Hamai
Executive Officer-Clerk
Of the Board of Supervisors



LESSEE

COUNTY OF LOS ANGELES
a body politic and corporate

By: *Yvonne B. Burke*
Yvonne B. Burke
Chair, Board of Supervisors

[Signature]
By: Deputy

APPROVED AS TO FORM:

Raymond G. Fortner, Jr.
County Counsel

By: *[Signature]*
Amy M. Cayes
Deputy County Counsel

LESSOR

RREEF AMERICA REIT II CORP.
MMMM3 CALIFORNIA
a Maryland corporation

By: RREEF Management Company,
a Delaware corporation,
Authorized Agent

By: *[Signature]* 3/10/08
John A. Casasante
Vice President – District Manager

I hereby certify that pursuant to
Section 25103 of the Government Code,
delivery of this document has been made.

SACHI A. HAMAI
Executive Officer
Clerk of the Board of Supervisors

By: *[Signature]*
Deputy

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

23

APR 08 2008

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

65930

Supplement No. 3